

**Transcript of Senate Floor Statement by Senator Kent Conrad (D-ND)
on President Bush's FY 2005 Budget and Its Impact on Social Security
February 27, 2004**

I want to talk for a few moments about many of the subjects Senator Byrd addressed. I think this week has been a wake-up call to the United States, for the Senate, for the House of Representatives, and I hope for the White House, because this week the Chairman of the Federal Reserve, Chairman Greenspan, as the *Washington Post* headline from the next morning indicates: "Fed Chief Urges Cut in Social Security." The subhead says: "Future Benefits Must Be Curtailed, Greenspan Warns."

Chairman Greenspan is talking in this article about the overcommitment this country has. He said: "I am just basically saying we are overcommitted at this stage." Chairman Greenspan went on to suggest that he favors making permanent the tax cuts the President has proposed. He also says he recommends we cut Social Security benefits as one way of beginning to deal with these long-term imbalances.

Not so long ago, the President, in his FY 2002 budget, "A Blueprint for New Beginnings" said: "None of the Social Security surplus will be used to fund other spending initiatives or tax relief." None. Oh, how wrong the President was in that assertion, because when we look at his budget, what we find is he is going to borrow from Social Security \$2.4 trillion over the next 10 years – \$2.4 trillion – and he has no plan to pay it back.

It is very interesting to look at the relationship between the money the President is taking from the Social Security surplus over the next 10 years to float this boat, nearly \$2.4 trillion, and to compare it to his tax cuts during this same period.

Notice how similar the figures are. They are almost identical. The amount being borrowed from the Social Security Trust Fund is almost identical to the money going out in the tax cuts, primarily income tax cuts, that go overwhelmingly to the wealthiest among us, as this chart shows.

This chart shows the benefits of the Bush income tax cuts. What it demonstrates is the top one percent, those with incomes of over \$337,000 a year, get 33 percent of the tax cuts. That is pretty stunning. Let me repeat it. Those who are in the top one percent, earning over \$337,000 a year, got 33 percent of the benefits of the income tax cuts. And now we find out it is being financed by taking Social Security money funded by the payroll taxes overwhelmingly paid by middle-income Americans.

This is an enormous wealth transfer from the many to the few. This is class warfare writ large. Take from the many, give to the few, and then have us head in a fiscal direction that leads the Chairman of the Federal Reserve to say, at the end of the day, cut the Social Security benefits that were supposed to have been financed by the payroll taxes of the people who paid them.

It is very interesting to see the effect of Social Security on this society. Two-thirds of

retirees rely on Social Security for more than half of their income; 31 percent of Social Security beneficiaries get at least 90 percent of their income from Social Security; 33 percent get 50 to 89 percent of their income from Social Security.

If you put those two together, nearly two-thirds of retirees rely on Social Security for more than half of their income. We know Social Security has been the engine driving people who are Social Security beneficiaries out of poverty.

This chart shows without Social Security, 48 percent of our nation's seniors would be in poverty. With Social Security, only 9 percent are. Is anybody paying attention here? We talk about connecting the dots. We talk about what has happened with the fiscal policy this President has constructed, a fiscal policy that has led to the largest deficits in the history of our country, budget deficits that have no end in sight, that have led the Chairman of the Federal Reserve to say: 'Cut Social Security benefits but make the tax cuts permanent.' And the tax cuts have about the same cost over the 10-year period as the amount of money that is being taken from the Social Security Trust Fund surpluses over that same period. If we connect the dots, it becomes very clear.

Middle-class people are paying heavily into Social Security with payroll taxes on the promise they will get Social Security benefits, but the money is being taken and instead of being used to prepay the liability or to pay down the debt to prepare for their retirement, the money is being used to finance income tax cuts for the wealthiest among us.

I showed a chart that demonstrated the top one percent, those earning over \$337,000 a year, get a third of the tax benefits. But it is even much more dramatic than that. If you are earning over \$1 million a year, those who in this country are fortunate enough to earn over \$1 million a year will get a tax cut this year of over \$100,000.

Those earning over \$1 million a year will get an average income tax cut of over \$100,000, and yet we are running deficits that are the biggest in the history of the country with no end in sight, so serious that the Chairman of the Federal Reserve board says: 'Cut Social Security benefits.'

This is all about choices. This chart shows the cost of the President's tax cuts over a 75-year period, \$12 trillion. The Social Security shortfall over that same period is just under \$4 trillion. It is a 3-to-1 ratio. The difference between the cost of the President's tax cuts over a 75-year period and the Social Security shortfall. The Chairman of the Federal Reserve looks at that shortfall and says: 'Cut benefits, but make the tax cuts permanent.' That is the logic of where the President's budgets are leading, and nobody should be under any illusion that is where this is all headed, because here is what is about to happen.

This chart is the number of Social Security beneficiaries whose numbers will explode with the retirement of the baby boom generation. We are going to go from about 40 million in 2005, look at 2045, there will be 82 million people receiving Social Security. This isn't a projection. These people are alive. They have been born, and they are going to be eligible, and the President has no plan, none, to deal with it.

Under the President's budget, we are spending \$991,000 a minute more than we are taking in – \$991,000 a minute.

If we look at budget deficits and the relationship over a long period of time, from 1969 to this year, we can see the deficits in dollar terms are at an all-time high, by far the biggest budget deficit we have ever had – \$100 billion more than last year, and last year was a record.

Some try to minimize it, saying: 'As a percentage of our gross domestic product, these deficits are not so large.' Wait just a minute, these deficits are huge by any measure. If you look as a percentage of gross domestic product on an operating basis, protecting Social Security as it was intended to be, what one sees is this deficit is only exceeded once since World War II as a percentage of gross domestic product, only exceeded by a deficit of 6 percent of GDP back in 1983.

The big problem with the President's plan is he is hiding from the American people the true effect of his policies. I do not make that charge lightly. The President is hiding from the American people the full effect of his policies. Here is just one way. Here is what happens to his tax cut proposal just beyond the budget window. This dotted line is the end of the 5-year period.

Here is what happens to the cost of the President's tax cut once you get beyond the 5-year window. It absolutely explodes.

But it is not just his tax cut that explodes just beyond the budget window. So does the cost of fixing the alternative minimum tax, the old millionaires' tax, designed to make certain that people with high incomes paid some taxes. And yet that old millionaires' tax is rapidly becoming a middle-class tax, because, as we know, there are 3 million people affected by it now, and at the end of the 10-year period there will be 40 million Americans affected by the alternative minimum tax. The President does something about it for 1 year. He does nothing about it for all of the future years. This is the pattern of the cost increases to deal with the alternative minimum tax, which everybody knows has to be dealt with. The President has no plan to do anything about it.

It is not just in terms of paying back Social Security, the \$2.4 trillion he is borrowing from that. He has no plan there. He has no plan to deal with the exploding cost of the alternative minimum tax. He has no plan to pay the war cost, the war on terror.

He says we are going to fight a robust battle against terror, but he is not going to fund it, because he has zero in his budget past September 30 of this year. Does anybody believe the war on terror, the war in Iraq, the war in Afghanistan, is going to neatly end at the end of the fiscal year? Does anybody seriously believe that? That is what the President says is going to happen. He says there is going to be no cost past September 30, no cost for Afghanistan, no cost for the war on terror, no cost for the war in Iraq, none.

When we ask him how can that be, his response is, gee, I really do not know what the cost is going to be. Well, the right answer is not zero. The right answer is not no cost.

The Congressional Budget Office tells us the cost is going to be \$280 billion, but the President does not acknowledge that cost. It is no wonder that he is able to say he is going to cut the deficit in half in five years. He just does not count things. He does not count the war cost. He does not count dealing with the alternative minimum tax crisis. He does not count paying back the \$2.4 trillion he is taking from Social Security, every penny of which he has to paid back but none of which he has a plan to do.

The President says he is going to cut the deficit in half in the next five years. We have gone back and included the cost of his war policies, his tax cut proposals, and the alternative minimum tax, just those three areas. What emerges is a more realistic view of where the deficit is headed. As we can see, there is no cutting the deficit in half. In fact, we do not see the deficit ever getting below about \$600 billion. That is a realistic expectation, instead of what the President is telling the American people.

Here is what is happening to the debt: The gross debt of the United States is absolutely exploding, at the very time the President promised us he would have maximum paydown of the debt. Remember 2001, that is what he told us, that he would have maximum paydown of the debt. Instead, the debt is exploding from some \$6 trillion in 2001 to \$15 trillion by 2014.

This chart is one of the most sobering of all. The green bars show the Social Security Trust Fund, the blue bar the Medicare Trust Fund, and the red bars show the tax cuts already enacted and those proposed by the President. What this shows is right now we are being buffered from the full effect of what the President has proposed by the surpluses in the trust funds.

Look what happens when those trust funds go cash negative out in 2016. At that very time the cost of the President's tax cut proposals explode, driving us right over the cliff into deficits and debt never before seen in this country. Do not take my word for it. Here is the Congressional Budget Office report on the long-term budget outlook showing the President's tax cuts exploding the deficit at the very time the baby-boomers retire. This is not just reckless and irresponsible. It is wildly reckless and irresponsible.

This is what happens under the President's scenario. Where is the money coming from? Well, he is going to borrow \$2.4 trillion from Social Security with no plan to pay it back, but that is not the only place he is borrowing. Now he is borrowing from countries all over the world. We are into Japan for over \$500 billion and this is from 2003. We know this is a much higher number now because Japan is buying dollars at a furious pace. So is China. We are into them for over \$140 billion, and that number would be much higher if we had a current number. We borrowed \$62 billion from Caribbean banking centers. We are in hock to Hong Kong for \$56 billion, to Taiwan for \$46 billion, but we have even borrowed \$43 billion from South Korea.

When I was growing up, if anybody had told me America would be having to borrow money from South Korea, that we would be having to be borrowing money from Japan and China, why nobody would have believed it. But that is what is happening.

This was the President's statement just the other day in Louisville, KY: "We've got

plenty of money in Washington, DC, by the way.” This is not the statement of a serious person, “We’ve got plenty of money in Washington, DC, by the way.” That is not the statement of a serious person when he is running the biggest deficit in the history of the United States of America, with no end in sight, and his proposal is to dig the hole deeper, to have more spending and cut the revenue even more when we already are running record deficits, right on the eve of the retirement of the baby boom generation.

This President tells the American people that we have plenty of money? The only reason there is plenty of money is because he is borrowing it from every place that he can find somebody who will loan it to him.

There is \$2.4 trillion being borrowed from the Social Security Trust Fund with no plan to pay it back, and now Chairman Greenspan warns that the over-commitments are so large that Social Security benefits ought to start being cut.

That is the logic of the President's course, and it is a disastrous course. It is one that risks the economic security of this country. It is one that risks putting upward pressure on interest rates that will choke off economic growth, that will cost this nation even more jobs, and force this Congress and a future President into the most excruciating of choices.

This is a reckless course. This is not conservative. This is radical. It is reckless and it has to be stopped.

I yield the floor, and I suggest the absence of a quorum.